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**FISCAL IMPACT STATEMENT**

**LS 7006**

**BILL NUMBER:** HB 1275

**NOTE PREPARED:** Jan 26, 2015

**BILL AMENDED:**

**SUBJECT:** Casino Regulation.

**FIRST AUTHOR:** Rep. Huston

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill removes restrictions on where gambling may occur. It provides that the Indiana Gaming Commission (IGC) shall not reject an application for a license to operate a casino based on the location of the proposed casino. It prohibits the IGC from considering market and competitive concerns in approving new casino licenses. It repeals language requiring cities and counties to approve ordinances and referenda for riverboat gaming. It also repeals language that specifically applies to locations where riverboats currently are located.

The bill changes "riverboat" references to "casino". The bill repeals statutes specifically concerning riverboats. It repeals language concerning flexible scheduling on riverboats. It removes the graduated rate on Indiana casinos (other than racetrack casinos) and imposes a 22.5% wagering tax on all casinos.

The bill provides that a racino is not required to maintain horseracing at the racetrack as a condition of maintaining a license to conduct gambling games. It removes the restriction on the number of slot machines at a racino.

The bill repeals the riverboat admissions tax and distribution of admissions tax revenue to municipalities. It removes the riverboat admissions tax revenue from the statute concerning tax credits for property taxes paid on homesteads.

The bill provides that the effective date of this bill is July 1, 2024.

**Effective Date:** July 1, 2024.

**Explanation of State Expenditures:** Since the bill is effective on July 1, 2024, any fiscal impact to the state will not occur until FY 2025.

*Riverboat Admissions Tax:* The bill repeals the admissions tax hold-harmless distributions. The distributions are currently capped at \$48 M. Repealing this distribution will reduce expenditures from the state General Fund by \$48 M annually.

*Indiana Gaming Commission (IGC):* The bill would impact the workload of the IGC. (Note: Current statute provides that sufficient funds are annually appropriated to the IGC from riverboat wagering tax revenue deposited in the state Gaming Fund to administer the riverboat gambling laws.) The 2013-2015 biennial budget bill appropriated \$3.4 M annually in FY 2014 and FY 2015 from the state Gaming Fund to the IGC for administrative purposes.

**Explanation of State Revenues:** *Riverboat Wagering Tax:* The bill eliminates the graduated wagering tax rate structure on Indiana riverboat casinos and, instead, imposes a 22.5% flat wagering tax rate. The bill does not eliminate the graduated wagering tax rate structure on racetrack casinos. Currently, Indiana riverboats casinos pay a tax of between a 15% to 40% of adjusted gross revenue (AGR) depending on the level of AGR generated at the riverboat. The bill also removes separate distributions specified in current law for the French Lick casino wagering tax revenues. Based on the current level of riverboat casino AGR, these changes would result in a revenue loss of between \$50 M to \$60 M to the state General Fund.

*Riverboat Admissions Tax:* The bill repeals the riverboat admissions tax. Currently, the 11 riverboat casinos pay \$3 per patron admitted to the riverboat casino. The admissions tax generated \$58.2 M in FY 2014. The revenue is distributed to certain state agencies/funds (the state General Fund, State Fair Commission, Division of Mental Health, and IEDC) and local units where the riverboat casinos are docked. State agencies/funds receive about \$17.9 M in distributions of riverboat admissions tax.

The State Fair Commission and Division of Mental Health also receive about \$5 M in supplemental hold-harmless distributions from the state General Fund.

Riverboat admissions tax distributions to Lake County units are intercepted to pay back the state General Fund for revenue lost to the income tax credit for certain low income Lake County residents. It is estimated that the state General Fund will lose about \$4.1 M that it would have received in riverboat admissions tax to offset the cost of the tax credit.

*Horse Racetracks:* The bill removes the requirement that the two Indiana horse racetracks have to be maintained to conduct casino gaming at those locations. The continued existence of horse racing at those locations would depend on various factors including ownership and profitability. Horse racing generates about \$2.2 M in pari-mutuel wagering tax and between \$1 M to \$2 M in fees, fines, and penalties.

*Casino and Racino Licensing:* The bill makes changes to the casino licensing statutes in Indiana. It removes certain factors to be considered in issuing the gaming license which would effectively allow the IGC to issue unlimited casino licenses in Indiana. Depending on market factors and IGC regulatory actions, the provisions in the bill changing the licensing regulations in Indiana could result in increasing the number of casinos in Indiana. It could also lead to several current riverboats moving their gaming facilities to a land based location within the state. These provisions could result in casino development in the densely populated markets of the state. Any impact depends on various factors, including market factors, capital availability, and availability of undeserved geographic markets in the state. Since recent data indicate signs of saturation of

the casino market in Indiana, any additional facilities would likely displace revenues at a competing instate facilities. The revenue impact of unlimited licenses also depends on gaming policies and restrictions in neighboring states. New Jersey and Mississippi have not put a limit on the number of casinos, thus adopting a market approach. In the past, they had experienced significant revenue growth in the absence of significant competition. However, these states have experienced significant declines in revenue along with casino closures as gaming options increased in and outside of those states.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Since the bill is effective on July 1, 2024, any local fiscal impact will not occur until FY 2025.

*Riverboat Wagering Tax:* The provision in the bill changing the riverboat wagering tax rate and its distribution could reduce the distributions to the current local recipients between \$5 M to \$10 M annually.

*Riverboat Admissions Tax:* In FY 2014, the local units with riverboats received a total of \$41.8 M in riverboat admissions tax and \$41.3 M in supplemental hold-harmless distributions. The bill repeals the admissions tax and the hold-harmless distributions. The Northwest Indiana Regional Development Authority (RDA) receives about \$4.5 M of the riverboat admissions tax intercepted from the statutory distributions to Lake County, Hammond, Gary, and East Chicago. The repeal of the admissions tax will result in loss of this revenue for the RDA.

*Local Development Agreement (LDA):* The bill could result in the relocation of the current gaming facilities, impacting the LDA payments to the local units that receive these revenues currently.

**State Agencies Affected:** Indiana Gaming Commission, Indiana Horse Racing Commission, Mental Health Division, Department of State Revenue.

**Local Agencies Affected:** All local units.

**Information Sources:** Indiana Gaming Commission, Annual Report 2014, <http://www.in.gov/igc/2362.htm>; American Gaming Association; State of the States [http://www.americangaming.org/sites/default/files/aga\\_sos2013\\_rev042014.pdf](http://www.americangaming.org/sites/default/files/aga_sos2013_rev042014.pdf)

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